

Message Text

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17

ACTION TRSE-00

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R 020721Z JAN 75

FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC 9198

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY RABAT

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

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TAGS: EAID, EAGR, EINV, EFIN, KU, XF, SU, LY, TC, SA, AG

SUBJECT: TRIPARTITE INVESTMENT IN LDCS USING ME OIL FUNDS

REF: KUWAIT 5446, 5447, 5448 (NOTAL); STATE 281356

BEGIN SUMMARY: SUDAN'S AGRICULTURAL POTENTIAL IS SO GREAT THAT COUNTRY APPEARS IN CLASS BY ITSELF. MUCH IS NOW BEING DONE TO REMOVE THE USUAL OBSTACLES TO DEVELOPMENT, AND SOME LARGE PRODUCTIVE PROJECTS, NOTABLY IN SUGAR, ARE NOW COMING OFF DRAWING BOARDS. ARAB OR OTHER FOREIGN INVESTORS CANNOT IN MOST CASES EXPECT QUICK RETURN, BUT COUNTRY'S LONG-TERM FUTURE SEEMS ASSURED. EMBASSY WILL MONITOR SITUATION CLOSDTY, BEGINNING WITH REPORT INVENTORYING ARAB INSTITUTIONS AND PROJECTS ALREADY IN COUNTRY. END SUMMARY.

1. APPRECIATE EMBASSY KUWAIT'S COMPREHENSIVE REPORTS WHICH SUPPLEMENT EVIDENCE PREVIOUSLY AVAILABLE HERE RE GROWING ARAB INTEREST IN DEVELOPMENT OF SUDAN'S AGRICULTURE.

2. SUDAN INDEED HAS FORMIDABLE AGRICULTURAL POTENTIAL WITH MAJOR SURPLUSES OF GOOD LAND, WATER AND SUNLIGHT. IN ADDITION TO MILLIONS OF ACRES IN IRRIGATED FARMING PROJECTS NOW ON DRAWING BOARDS OR IN VARIOUS STAGES OF EXECUTION, COUNTRY HAS HUGE RAIN-FED GRASSLANDS WHICH CAN BE DEVELOPED FOR LIVESTOCK AND FEEDGRAIN PRODUCTION, USING CAPITAL-INTENSIVE METHODS SIMILAR TO THOSE EMPLOYED IN U.S. IT IS ESTIMATED UP TO ONE-THIRD OF SUDAN'S TOTAL AREA OF 967,000 SQUARE MILES IS ARABLE OF WHICH THIRD ONLY SOME 17 PERCENT NOW ACTUALLY UNDER PLOW. SUDAN WOULD THUS APPEAR IN CLASS BY ITSELF RE OPPORTUNITIES FOR AGRICULTURAL DEVELOPMENT.

3. COUNTRY IS, OF COURSE, PLAGUED BY PROBLEMS ENDEMIC LDCS - INADEQUATE INFRASTRUCTURE, MANAGERIAL AND TECHNICAL EXPERTIES, AND CAPITAL. WITH TOTAL AREA EQUAL US EAST OF MISSISSIPPI, THERE ARE ONLY 300 MILES PAVED ROADS; 2,895 MILES OF POORLY-DESIGNED, POORLY-EQUIPPED AND POORLY-RUN RAILWAY; ONE INADEQUATE SEAPORT; AND, UP TO NOW, NO DEVELOPED ENERGY RESOURCES EXCEPT THE BLUE NILE (WHICH CAN BE HARNESSSED ONLY IN CONSULTATION WITH EGYPT). GREAT EFFORTS NOW UNDERWAY TO CORRECT THESE DEFICIENCIES IN LARGE PART THROUGH PROJECTS FINANCED BY FRIENDLY ARAB COUNTRIES. BUT IT LIMITED OFFICIAL USE

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WILL BE AT LEAST TWO-THREE YEARS UNDER OPTIMUM CONDITIONS BEFORE INFRASTRUCTURE IMPROVEMENTS HAVE IMPACT ON ECONOMY TO POINT OF REMOVING KEY BOTTLENECKS IMPEDING PRODUCTION AND MARKET-ING.

4. MEANWHILE, HOWEVER, SPECIFIC AGRICULTURAL PROJECTS, NOTABLY IN SUGAR REFINING, ARE MULTIPLYING. AS EXAMPLE, GULF INDUSTRIES (OWNED BY GOK FONMIN SABAHL-AHMAD) HAS

JUST ACQUIRED SOME 16 PERCENT LONRHO. THIS, PLUS HELP OF ARAB INVESTMENT CO., HAS BREATHED LIFE INTO LONG-PENDING LONRHO KINANA SCHEME DESIGNED PRODUCE 1,000,000 TONS OF REFINED SUGAR ANNUALLY BY 1980. SOME RAPID PROJECT DEVELOPMENT ALSO SEEMS LIKELY IN PORT SUDAN AREA (AMERICAN FIRM TAMS IS ONE OF FOUR CURRENTLY NEGOTIATING WITH GOS RE EXPANSION AND DEVELOPMENT PORT FACILITIES.) OTHERWISE, HOWEVER, ARAB - OR OTHER - INVESTORS LOOKING FOR QUICK RETURNS LIKELY BE DISAPPOINTED. ARAB FUND TEAM MEMBER TOLD EMBOFF THAT, EVEN IF DECISIONS WERE REACHED TO PROCEED WITH 10-YEAR BILLION-DOLLAR AGRICULTURAL DEVELOPMENT PROGRAM, SUDAN INITIALLY WOULD PROBABLY BE UNABLE ABSORB EFFICIENTLY MUCH MORE THAN \$40 MILLION PER YEAR, MUCH OF IT FOR INFRASTRUCTURE. (SAME SOURCE, INCIDENTALLY, SAID TALK OF QUOTE INDEPENDENT AUTHORITY UNQUOTE WAS UNREALISTIC; SUDANESE WOULD NOT SAY SO FLATLY AT THIS POINT OF COURSE, BUT MOST ARAB FUND COULD EXPECT WOULD BE CREATION OF NEW GOS AGENCY WITH SOME DEGREE OF AUTONOMY FROM NORMAL PLANNING AND BUDGETING PROCESS.)

5. FOREGOING MEANT SOLELY TO DELINEATE PROBLEMS, NOT TO DIVERT INTEREST AWAY FROM SUDAN, WHOSE LONG-TERM RPT LONG-TERM FUTURE SEEMS ASSURED. SPECULATION AND PUBLICITY RE PROJECTS HAVE MULTIPLIED TO POINT EMBASSY HAS ITS HANDS FULL SEPARATING FACT FROM FICTION. DELAYS AND CONFUSION WILL NO DOUBT CONTINUE ATTEND THIS PROCESS, BUT SUDAN IS A NATURAL FOR INVESTMENT OF BURGEONING ARAB OIL WEALTH. LATEST ESTIMATES AVAILABLE HERE INDICATE GOS DEVELOPMENT EXPENDITURES NOW MOUNTING RAPIDLY AFTER SEVERAL YEARS DURING WHICH AMOUNTS BUDGETED WERE NOT ENTIRELY SPENT. IN FY 75, FOR EXAMPLE, LS 80 MILLION BEING DEVOTED THIS PURPOSE VS. LS 30 MILLION IN 1972/73.

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6. EMBASSY WILL CONTINUE MONITOR SITUATION HERE CLOSELY IN INTEREST OF IDENTIFYING OPPORTUNITIES FOR US BUSINESSMEN AND WAYS OF ALLEVIATING WORLD FOOD CRISIS. AS FIRST STEP, WE ENDEAVORING REPLY STATE 281356 BY INVENTORYING ARAB INSTITUTIONS AND PROJECTS IN SUDAN WHICH MIGHT SERVE AS ELEMENTS OF PROGRAMS OF TRIPARTITE AID AND INVESTMENT.
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